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FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC PRIORITY 6920  
INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 1805  
RUEHBO/AMEMBASSY BOGOTA PRIORITY 5106  
RUEHBR/AMEMBASSY BRASILIA PRIORITY 7592  
RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 3097  
RUEHCV/AMEMBASSY CARACAS PRIORITY 0797  
RUEHLP/AMEMBASSY LA PAZ SEP 4527  
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 9310  
RUEHQD/AMEMBASSY QUITO PRIORITY 1467  
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 1496  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY  
RUMIAAA/USCINCSO MIAMI FL PRIORITY  
RUEHC/DEPT OF INTERIOR WASHINGTON DC PRIORITY

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INTERIOR PASS TO USGS/RESTON FOR  
D.MENZIE/A.GURMENDI/D.ELELSTEIN

E.O. 12958: N/A

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SUBJECT: THE MAJAZ REFERENDUM: A VOTE AGAINST MINING

REF: LIMA 03075

**¶1. (SBU)** Summary: Residents of three districts in the northern region of Piura voted September 16 to reject development of the Majaz copper deposit owned by the Chinese Zijin Consortium. The referendum is the latest event in two years of conflict between civil society and community groups that argue mining degrades the environment and hurts the poor, and the government and mine owners who promise clean practices and funds for development on the other. After criticizing as interlopers the NGOs and clergy that backed the referendum, the GOP has since invited the parties to the negotiating table. Despite the government's efforts, the non-binding referendum has spooked the mining industry -- Peru's largest taxpayer and foreign exchange earner -- and underscores widespread skepticism about the benefits investment brings to local communities. End Summary.

The Referendum

**¶2. (U)** In a symbolic, non-binding vote, residents of the remote districts of Ayabaca, Pacaipampa, and Carmen de la Frontera in the northern region of Piura voted overwhelmingly September 16 to reject investment in the nearby Majaz copper mine via the Rio Blanco project. Although only half of eligible voters participated, about 94.5% voted against "mining activity" in the area. Organizers and backers of the referendum included local and foreign NGOS such as the Red Muqui, CONACAMI, and Oxfam, church representatives, and local government officials. A similar (non-binding) referendum held at the Tambogrande copper deposit in Piura in 2002 -- along with constant community harassment and attacks on company facilities -- led investors to back out of that area.

Accusations Against Majaz

**¶3. (U)** Organizers and backers of the referendum allege that investment at Majaz will destroy the delicate local ecosystem and disrupt peasant agriculture. According to one Oxfam document, the mining concession is covered with "cloud forests that act as a sponge that captures the water from rain and feeds the rivers that support the agricultural zones" in the region. Critics also cite a recent University

of Texas environmental study stating that "the exploration phase of the Rio Blanco mining project in Peru's northwestern Andes mountains caused damages to the area's biological diversity." The report further argues that mining at Majaz "could lead to an interruption of the links between ecosystems" and threaten wildlife. Anti-mining groups argue that the Majaz owners have not presented their plans to mitigate environmental impact and have been unwilling to dialogue. Claiming the support of the government's human rights Ombudsman, they also accuse the company of beginning exploration without the legally required permission of local communities (Law 26505). One Nationalist Party Congressman told poloff that the fundamental issues are jobs and poverty, and the perception that large mining operations hurt rather than help the poor.

#### The Government and Industry Response

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**¶4.** (U) President Garcia initially responded to the vote by blasting the interventionism of NGOs and church groups that supported the referendum. "Just like I do not like the governments of Venezuela or Argentina to intervene in policy, I also do not like the Vatican to intervene in policy," he said according to press. "Foreign priests should go fight for revolution in their own lands and not here." Prime Minister Jorge del Castillo criticized NGOs for misinforming the local populace and said that if a town does not want private investment, it does not deserve public services. The National Election Committee (JNE) declared the vote an illegal usurpation of its powers and contrary to the legal order.

**¶5.** (U) The GOP and Majaz owners have since called for dialogue. The President's Council of Ministers convoked a September 27 meeting in Piura with local officials to resolve the conflict, and Garcia publicly stressed the importance of investment for job creation and the way responsible mining companies can protect the environment. Majaz officials echoed the call for dialogue, stating that Peru's environmental regulations require all new mining projects to use the most modern, environmentally-friendly mining methods. Majaz's manager said that their priority is to inform local communities about the Rio Blanco project, the technology to be employed, and the planned social investments.

#### Anti-systemic Groups Spreading Social Conflict?

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**¶6.** (SBU) The referendum results spooked other mining interests who fear that its success could encourage similar referenda elsewhere, and ignited speculation that antisystemic groups are behind the Majaz conflict. A security analyst at the majority U.S.-owned Yanacocha gold mine in Cajamarca (REF) worried that social sectors were moving faster than the government and that the GOP did nothing to prevent the referendum. He told poloff that the Cajamarca head of the Communist New Left Movement (aka Patria Roja) -- Gregorio Santos Guerrero -- actively backed the Piura referendum and might now return home to promote a similar vote. Former Prime Minister Pedro Pablo Kuszynsky told Poloff that opium traffickers, fearing the increased security presence of a large mine in a key narco-export corridor, helped back the referendum. A September 10 press report, citing intelligence sources, claimed that a group of radical NGOs backed by Venezuelan President Hugo Chavez were conspiring against mining companies to destabilize the Peruvian government. Even Ollanta Humala got involved by disseminating a flyer promoting a no vote in the referendum.

**¶7.** (SBU) Comment: Mining is Peru's most significant industry, its largest tax payer and foreign exchange earner, critical for the nation's macro development. At the same time, the communities closest to mine fields often reject the industry because of a combination of misinformation, past company mistakes, and their own experience of continuing poverty in the face of wealth. Although many firms have made great strides in improving community outreach and local development programs, problems continue. The ongoing challenge for the GOP is to proactively mediate conflicts while showing that

investment can bring development. End Comment.  
MCKINLEY